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March 1, 2001

VIA HAND DELIVERY
Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, SW, Room TW-A325
Washington, D.C. 20554

Re: **Petroleum Communications, Inc.**
Ex Parte Presentation
Gulf of Mexico Cellular Rule Making Proceeding
WT Docket 97-112; CC Docket 90-6

Dear Ms. Salas:

On February 27, 2001, Petroleum Communications, Inc. ("PetroCom"), by its attorneys Richard S. Myers and Jay N. Lazrus of the firm Myers Lazrus Technology Law Group, made an oral ex parte presentation concerning the referenced matter to the following members of the Wireless Telecommunications Bureau ("WTB"): David Furth, Senior Legal Advisor, Roger Noel, Chief of the Licensing and Technical Analysis Branch of the Commerical Wireless Division, and Lauren Kravetz, Legal Advisor.

During the presentation, PetroCom referred to the 9-page summary of the record evidence ("Summary") submitted as Attachment 1 to a handout circulated at a previous meeting with the WTB (for which an ex parte notice was filed on January 10, 2001). PetroCom stated that the evidence does not support the existence of any coverage problem that warrants the creation of a new 10-mile coastal or neutral zone for the entire Gulf of Mexico. The statements PetroCom made about pages 1-3 and 6 of Summary are reflected in the enclosed table enclosed [This table also includes a synopsis of the other pages of the Summary.]

Land carriers claim they are unable to serve customers on land. PetroCom stated that such claims are unsupported in general, and particularly unsupported with respect to the Western side of the Gulf (from the Florida/Alabama border to southern Texas). PetroCom's fully built-out infrastructure blankets the Western side, covering hundreds of platforms located within 10 miles of the coastline. PetroCom accomplished this, in part, by reaching co-location and extension agreements with land carriers under the current rules. The evidence demonstrates that coverage along the coverage along the Western side of the Gulf is not a problem, nor is the capture of land customers by Gulf carriers.[1] PetroCom made particular reference to the 1998 study conducted by Tom L. Dennis ("Dennis Study"). The Dennis Study was conducted in response to GTE's claim that the B-side Gulf Carrier captures customers along the Texas coastline near Galveston. GTE's claim was not supported by real world data, but rather was based on a hypothetical model. Mr. Dennis took real world measurements of signal strength for both A-side and B-side cellular systems along the same coastline. This data showed that the GTE claim is untrue. [The Dennis Study was submitted as Attachment 3 to the January 8 meeting handout. Its conclusions have never been challenged.]

PetroCom further stated that the only actual coverage dispute concerns the Mobile, Alabama market as a result of an Enforcement Bureau action against GTE Wireless, and continued disagreement between its successor-in-interest, AllTel Corporation, and Bachow/Coastel (as reflected in Bachow/Coastel's January 22, 2001 ex parte letter). PetroCom stated that land carriers have taken this one dispute and blown it out of proportion to claim a coverage problem exists throughout the entire Gulf of Mexico, a claim unsupported by the record evidence.

During the meeting, two ofPetroCom's co-location and extension agreements were discussed, which can be summarized as follows.[2] Under these agreements, the land carriers own the facilities. PetroCom made a one time payment to cover some of the construction costs. Pursuant to the agreement, the land carriers designed sectors that extend coverage into the Gulf (the "Gulf Sectors"). The agreements specifically provide that the antennas of the co-located site are configured to keep real world signal strength equal to that of PetroCom's Gulf System at the coastline boundary. The land carriers provide switching services for: (1) the origination and termination of calls, including calls in the Gulf Sectors, and (2) switching services for authorized roamers, i.e., users other than land carrier subscribers, including PetroCom subscribers. PetroCom pays the land carriers per-minute charges for these switching services and for its customers roaming on the land carriers' systems. The land carriers pay PetroCom a per-minute charge, equal to PetroCom's home subscriber rate, whenever a land carrier subscriber uses the Gulf System (i.e., goes outside the Gulf Sector). Whenever a land carrier customer roams on the Gulf Sector, lower roaming charges apply.

These co-location and extension agreements were accomplished under the current rules that give each side the incentive to come together and reach agreement. [Although not discussed during the meeting, it should be noted that a recent example of the actual results that are achievable within the existing framework of the rules was the Commission's grant of the application of Centennial Communications, the A-side licensee for the Louisiana 5 Rural Service Area, for a land site near the coastline, referencing its co-location agreement with PetroCom (File No. 01242-CL-MP-98, granted January 17, 2001).]

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[1] It should be noted that the Commission's map (www.fcc.gov/wtb/cellular/cel_cov.html), based on reported cellular service area boundaries as of 1997, shows virtually seamless coverage along the coastline.

[2] These agreements were submitted (with a third co-location agreement and one extension agreement) to the Commission's staff on February 15, 2001 with a request for confidential treatment.

PetroCom has excellent relationships with neighboring land licensees. PetroCom has never used the tactic of denying a request for an extension into its CGSA in order to create an unserved area that it then could apply for on its own. Rather, just as adjacent land carriers have done innumerable times under the current rules, PetroCom has negotiated in good faith with its land neighbors to permit co-locations and extensions that allow each side to serve their respective customers. In fact, PetroCom finds that co-location and extension agreements are just as necessary to PetroCom as they are to their land neighbors to ensure seamless coverage in PetroCom's markets. PetroCom has every incentive to do so to ensure the highest quality cellular service to its home subscribers, an interest that outweighs any interest in maximizing roaming revenues. This is demonstrated by the fact that the co-location agreements provide for reduced roaming charges. Further, PetroCom has never designed or operated its system with an intent to capture land traffic.

PetroCom noted that the costs of building and maintaining a cellular network that covers a licensed territory of 86,000 square miles of water are higher than those of land networks. Reliability of the network is especially important for PetroCom's gas and oil industry customers who work in a harsh and dangerous environment. The production platforms that serve as transmitter sites are remotely located, making transportation to them by helicopter difficult and expensive. The maintenance costs for these offshore sites can be as much as $4,000 per month compared to $500-$700 for a land site. Helicopter travel to a platform site can cost $1,400 per hour, in addition to $40 per hour for a technician plus offshore bonus pay. In contrast, land site maintenance may cost only 35 cents per mile for travel and $20-$35 per hour for a technician. The seasonality of oil production and the weather also affect the availability of resources and their higher costs. PetroCom's subscriber and roaming rates reflect these higher costs.

PetroCom stated that is ready, willing and able to negotiate similar co-location agreements with any land carrier that desires to do so. PetroCom further stated that parties' unwillingness to be reasonable and engage in good faith negotiations is an impediment for reaching agreement under the existing rules. The existing rules, however, can and do work, as evidenced by the co-location and extension agreements PetroCom has successfully negotiated.

During the meeting, PetroCom quoted the statement made by one of its co-location partners that its agreement with PetroCom is "a clear demonstration that the coast line boundary...can be treated in an identical fashion to a similar boundary between two land-based markets." Although not discussed during the meeting, PetroCom takes this opportunity to elaborate on this point, as follows.

Population centers may exist near boundaries of land-based markets just as they do near the coastline boundary. On the Western (non-Florida) side of the Gulf, only one of the ten adjacent MSAs (Galveston) has its major population center alongside the coastline boundary. The coastline boundary is not well-populated throughout the Gulf of Mexico. In fact, much of it has little population. The coastline along southern Texas north to Corpus Christi, for instance, includes Padre Island, a national seashore. The coastline north of Corpus Christi to Galveston includes San Jose Island, the Matagorda Islands and the Matagorda Peninsula, not high population centers. The coastline north of Galveston and extending through Louisiana is mostly swamp. A string of thinly populated islands line the Mississippi-Alabama coastline, from the Gulf Islands (a national seashore) to Dauphin Island at Mobile Bay, where a thin peninsula contains Fort Morgan and a few other small communities.

The differences in how radio waves propagate over land and water have been no impediment whatsoever to the successful negotiation of PetroCom's agreements with land carriers. What can be an impediment is the failure by one or both parties to negotiate reasonably. PetroCom believes that the current rules provide an incentive for parties to negotiate. These rules have worked for the A-side licensees in the Gulf. PetroCom submits that its successful dealings with land carriers demonstrate that the B-side dispute concerning Mobile is the exception that proves the rule. An ongoing dispute in one market, only on the B-side, certainly does not support discarding the current rules that PetroCom and its land neighbors have successfully implemented.

During the meeting, PetroCom emphasized that, out of the entire Gulf of Mexico coastline, the only actual, active dispute between a land carrier and a Gulf carrier of which it is aware is the B-side dispute between Alltel and Coastel over Dauphin Island and Fort Morgan in Mobile Bay.

PetroCom realizes that the Western side of the Gulf – with fully built out infrastructure and existing co-location and extension agreements – is much different than the Florida side where drilling platforms likely will never be permitted near the coast where vacation resorts thrive. Thus, PetroCom stated that the most reasonable alternative in the current proceeding would be to keep the existing rules as they are, "status quo," except that the Commission should extend the boundary 10-miles seaward on the Florida side only, grant pending, grantable Phase II applications, and grant blanket interim operating authority to land carriers to serve unserved areas if and when they ever exist.

PetroCom further stated that this proposed solution best accomplishes the agency's goals in the rule making. It is the solution that is best supported by the record evidence in order to withstand appellate review. It is easy to administer and avoids creating new issues. It is a solution supported by U.S. Cellular, an experienced, longtime cellular operator with land markets adjacent to the Gulf on *both* the Western and Florida sides. And it is the fairest compromise because it takes into account the differences between the two parts of the Gulf, keeping the status quo on the built-out Western side while moving the boundary seaward on the "unbuilt" Florida side.

Finally, PetroCom emphasized that it is a small business that has worked hard to bring reliable, high quality cellular service to the Gulf of Mexico. As the table below demonstrates, PetroCom exists in a world of "Goliaths":

Land-Based Licensees	**1999 Revenue**
Alltel Corporation	$6.3 billion
SBC Communications	$49.4 billion
BellSouth Corporation	$25.2 billion
AT&T Wireless	$7.6 billion
Total, Land-Based Licensees	**$88.5 billion or $88,500 million**
v. PetroCom	**less than $25 million**

Source: Hoover's Online, PetroCom

PetroCom stated that the Commission's final Regulatory Flexibility Act ("RFA") statement will have to address the impact of its final rules on small businesses including PetroCom. The final RFA statement must analyze alternatives that would minimize the impact of the final rules on small businesses like PetroCom, while accomplishing the agency's goals. PetroCom stated that adoption of its proposal will permit the Commission to satisfy RFA requirements. It should be noted that the Small Business Administration has addressed this topic in the referenced proceeding.

Sincerely yours,

Richard S. Myers

Enclosure

cc (w/encl): David Furth
James D. Schlicting
Roger Noel
Lauren Kravetz

Analysis Of Record Evidence In Gulf Cellular Proceeding
(Page references are to Attachment 1 of January 8, 2001 Ex Parte Presentation Of Petroleum Communications, Inc.)

Page	Party	Analysis
1	BellSouth	One of many examples where the land carrier provides no evidence to back up its claim. In particular, note the reply comments where BellSouth claims customers will be forced to subscribe to two carriers to avoid roaming charges – nothing backs up that claim. Statements about roaming fail to mention rates negotiated as part of co-location agreements with Houston Cellular and Galveston Cellular (in which BellSouth was a partner).
2	Southwestern Bell	Southwestern Bell takes a different approach. It claims that Gulf carriers capture land customers, but gives only a hypothetical example without empirical real world data. Regarding roaming, the only complaint is that customers are dialing 7 digits instead of 10 digits for roaming service. Also note that customer complaints cited by 360 deal only with the B-side in Florida.
3	GTE	Another example of a claim supported by no evidence. GTE's initial comments (7/97) claim land customers are captured by Gulf carriers and therefore end up paying higher roaming charges. It cites no evidence of that happening. Subsequent comments (8/97) describe customer complaints only with respect to the B-side in Florida. Further comments (10/97) claim subscriber capture problem in Texas, but no evidence shows this is happening.
4	GTE	Though claims of subscriber capture are made with respect to both A-side and B-side, the evidence exclusively relates to the B-side and, with the exception of two letters ('95 and '96) involving South Padre Island, TX, all of the evidence relates to GTE's Mobile, AL pull-back and Florida.
5	AT&T	Evidence for claims about coverage problems only deals with Florida side. Statements about roaming fail to mention rates negotiated as part of co-location agreements with Houston Cellular and Galveston Cellular (in which AT&T was a partner). Also note there is no evidence supporting Radiofone's claims.
6	MobileTel	No evidence is provided that the claimed capture of land customers is actually occurring. The roaming rate is paid by agreement. Note that AllTel's comments only refer to Florida side.
7	AllTel	AllTel's evidence exclusively relates to B-side, Florida, and Mobile, AL. None of it deals with the A-side and little evidence even relates to the Western side of the Gulf.
8	Texas RSA 20B2 & GTE	The $744 roaming bill does not indicate where this customer was -- on land or in water and, if it was the latter, how far offshore, etc.
9	Dobson & Centennial	No evidence supports these parties' claims about coverage. Both of these parties have agreements with PetroCom, showing that the current rules have worked. In 1998, referring to its agreement with PetroCom, Centennial stated in a letter (copy attached): **"We see this as a clear demonstration that the coast line boundary, which, under current FCC rules, is coincident with market boundaries between land-based and gulf-based carriers can be treated in an identical fashion to a similar market boundary between two land-based markets."**

CENTENNIAL
COMMUNICATIONS

January 19, 1998

Jerry Rosenbaum
Petroleum Communications
5901 Earhart Expressway
Harahan, LA 70123

Dear Jerry,

Per our phone conversation last week concerning the operation of back-to-back cell sites by our companies, this letter memorializes Centennial's opinion of our experience.

In the summer of 1997, following the completion of an overlap agreement between our two companies, we established back-to-back cell sites at three locations as close as possible to the shoreline in our Beaumont-Port Arthur MSA and our Louisiana 5 RSA. During the negotiation of that overlap agreement, careful attention was paid to antenna design with the objective of ensuring that call initiation by mobiles on either side of the shoreline would occur such that revenue accrued to the licensee of the market in which the mobile was located at the time of initiation. In order to maximize the combined coverage of both of our systems, wide beam antennas were used with moderate front to back ratios. The ensuing performance since system commissioning has been in line with anticipated performance. Both of us have achieved the coverage required with a strict and acceptable demarcation line governing call initiation. We see this as a clear demonstration that the coast line boundary, which, under current FCC rules, is coincident with market boundaries between land-based, and gulf-based carriers can be treated in an identical fashion to a similar market boundary between two land-based markets. In each case, if sufficient signal is to exist at the boundary which can provide high quality service to subscribers, operators must cooperate in allowing reasonable contour overlaps and the ultimate cooperation involving the establishment of back-to-back cell sites at the boundary has been shown to be a viable and attractive method of introducing seamless coverage at market boundaries while ensuring that revenue accrues to the proper licensee.

Centennial anticipates future similar cooperative ventures with Petrocom and sees their success as a complete repudiation of any argument which advocates a change in market boundaries in order to ensure the provision of satisfactory service to subscribers along the shoreline. In cases where back-to-back cell sites are not mutually attractive, we also anticipate that either party should be prepared to accept reasonable contour overlaps which, wherever possible, will be engineered to ensure a balance of signals at the boundary with adequate signal to provide quality service to each party's subscribers. Given such a degree of cooperation by both involved parties, we see no reason for a change in the current boundaries between our markets at the present time.

Sincerely,

David Carter
Director of RF Engineering

Dsp/DC

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